



PRIMER ON SCHOOL DISTRICT DEVELOPMENT FEES

Paso Robles Joint Unified School District

September 11 2018



Development Fee Overview

- The purpose of the fees is to provide funding for the construction or reconstruction of school facilities needed for students generated by new development in a school district.
- Development fees must be used for facilities that are necessary to provide adequate school facilities for students resulting from new development. The fees cannot be used for school operation, salaries, supplies, or maintenance of existing facilities.
- Development fees provide an important source of school facilities funding in addition to state funding from state bond measures and local funding from local bond measures.
- To charge fees, all school districts must prepare and adopt a fee justification study and/or school facilities needs analysis based on local factors. The study must be made available for public review and a noticed public hearing by the district board must be held prior to fee adoption.

History and Authority (Level 1 Fees)

- School districts have been authorized by law since 1987 to collect development fees (these are the traditional fees known as Level 1 fees).
- Education Code Section 17620 et seq. authorizes the collection of development fees.
- Government Code Section 65995 et seq. establishes the type of fees and rates.
- Government Code Section 66000 et seq. provides nexus requirements and procedures for establishing and increasing fees

History and Authority (Level 2 and 3 Fees)

- The passage of SB 50 in 1998 (Leroy F. Greene School Facilities Act of 1998) established the authority for charging fees in excess of the traditional Level 1 fees, which became known as Level 2 and Level 3 fees.
- Government Code Sections 65995.5, 65995.6 and 65995.7 set forth the requirements and methodology for charging Level 2 and 3 fees.

Differences in Levels of Fees

Level 1 Fees:

- Maximum amounts capped by State Allocation Board (SAB), currently at \$3.79 per square foot for residential development and \$0.61 per square foot for commercial and industrial development
- Every two years in January (even years), the SAB adjusts in Level 1 fees in accordance with the construction cost index (note: the fees have increased every two years since inception, except for 2010)
- 2016 - \$3.48 = 8.78% increase
- Level 1 fees are designed to fund the construction and reconstruction of school facilities necessary to address the impacts of new development

Differences in Levels of Fees

Level 2 Fee:

- No cap or limitation on the amount that can be charged, but districts can only charge the amount justified through a specific and limited analysis (“School Facilities Needs Analysis”)
- Based on 50% of costs for new facilities with the assumption that the state will provide the other 50% through the state building program
- Applies to new residential units only (additions to residential units are charged the Level 1 fee). There is no Level 2 commercial/industrial fee.
- Level 2 fee amount only good for one year. Must prepare new analysis and re-adopt every year.

Differences in Levels of Fees

Level 3 fee:

- Only applicable if state runs out of money for new school facility construction
- Based on 100% of costs for new facilities, so it effectively doubles the Level 2 fee
- 50% of the fee must be refunded to those who paid once the state funds the next project in your district.
- Level 3 fees have only been authorized once (in 2016 for a short time). Most districts did not institute Level 3 in that a major state school bond was on the November 2016 ballot and was expected to pass (which it did).

Factors in Fee Justification

- **Projected New Development:** New development creates a need for new school facilities by generating students, provided there is no room in existing facilities.
- **Student Generation Rates:** This is the average number of students (or fraction of a student) that is generated by each new unit. A higher student generation rate means more students will be coming from new development and equates to a higher fee.
- **Facilities Capacity:** To charge fees, the number of students generated by new development must exceed the existing facilities capacity.
- **Cost of School Facilities:** For Level 1, the cost of facilities is the expected full cost of facilities needed for new development students. For Level 2, the cost is 50% of prescribed state costs, which may not result in 50% of actual district costs.
- **Average Dwelling Unit Square Footage:** The smaller the average dwelling unit size, the higher the fee. This is because a smaller unit means that there are more students per square foot, which equates to a higher cost per square foot.

Fee Amounts Charged in Nearby Districts

- Paso Robles JUSD: Level 1 \$2.63
- Lucia Mar: Completing study with the goal to raise to statutory limit
- Templeton: Completing study with the goal to raise to statutory limit
- San Luis Costal: \$3.79 - Statutory limit
- Fresno Unified: Level 1 \$3.79
- Golden Valley Unified: Level 1 \$3.79
- Kings Canyon Unified: Level 1 \$3.79
- Kerman Unified: Level 1 \$3.79
- Madera Unified: Level 2 \$4.10
- Sanger Unified: Level 2 \$4.80
- Clovis Unified: Level 2 \$4.87
- Central Unified: Level 2 \$5.25
- Firebaugh-Las Deltas Unified: Level 2 \$6.04

Developer Fee Revenue History at PRJUSD

- 2016-17 = 165 building permits - \$936,870
 - *Reduction of revenue - \$287,456 by not charging the statutory limit*
- 2017-18 = 124 building permits - \$552,173
 - *Reduction of revenue - \$176,513 by not charging the statutory limit*
- 2018-19 = 19 building permits - \$69,585
 - *Reduction of revenue - \$36,874 by not charging the statutory limit*

Timeline for Implementation

- Justification Study – PRJUSD had one completed in November 2017. This was not taken to the Board for approval.
 - *SAB raised Level 1 fee January 2018, so new Fee Justification Study is required. This is in progress*
- Anticipate Fee Justification Study complete in early October 2018
- October 23, 2018 – Board of Trustees to review results of the study
- October 24 – November 9, 2018 – Public comment period (Meets requirement of public review prior to Board of Trustee approval)
 - *Publish notice of public hearing 10 days prior to public hearing (twice in 10-day period)*
 - *Notice mailed 14 day prior to public hearing to interested parties (Building Industry Council, County/City Planning/ Development departments, etc.)*
- November 13, 2018 – Public Hearing as part of regularly scheduled board meeting
- November 13, 2018 – Recommend approving the adoption of the Fee Justification Study
- Fees become effective 60 days after adoption of Board of Trustees

Questions?